

Message Text

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ACTION EB-07

INFO OCT-01 NEA-09 ISO-00 PA-02 PRS-01 USIA-15 FEA-01

ERDA-07 AID-05 CEA-01 CIAE-00 CIEP-02 COME-00 DODE-00

FPC-01 H-02 INR-07 INT-05 L-02 NSAE-00 NSC-05 OMB-01

PM-03 SAM-01 OES-05 SP-02 SS-15 STR-04 TRSE-00 FRB-01

EUR-12 /117 W

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R 101050Z MAR 75

FM AMEMBASSY KATHMANDU

TO SECSTATE WASHDC 1061

INFO AMEMBASSY MSOCOW

AMEMBASSY NEW DELHI

AMEMBASSY TEHRAN

UNCLAS KATHMANDU 1187

E.O. 11652: N/A

TAGS: ENRG, NP

SUBJECT: PETROLEUM SUPPLY SITUATION IN NEPAL

REF: TEHRAN 2059

1. EMBASSY OFFICER CALLED ON S.B. THAPA, GENERAL MANAGE OF NEPAL OIL CORPORATION, TO DISCUSS CURRENT PETROLEUM SUPPLY SITUATION. SUMMARY OF THAPA'S COMMENTS FOLLOWS:

2. CURRENT SUPPLY SITUATION - THAPA SAID THAT NEPAL PRESENTLY HAS ADEQUATE SUPPLIES OF PETROLEUM, AND THAT NO PROBLEMS ARE ANTICIPATED. THERE IS CURRENTLY NO RATIONING IN EFFECT AT LOCAL GASOLINE STATIONS. IN RESPONSE INQUIRY REGARDING BAN ON SATURDAY DRIVING, THAPA SAID THAT WHILE BAN IN THEORY WAS STILL IN EFFECT, IT WAS REALLY NOT CARRIED OUT IN PRACTICE AS ANYONE COULD OBTAIN SPECIAL PERMIT FROM GON TO DRIVE ON SATURDAYS. WHILE FEW PETROLEUM PRODUCTS ARE STORED IN NEPAL, THAPA SAID FLOW OF IMPORTS WAS

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CONTINUING AT STEADY RATE, AND HE FORESAW NO INTERRUPTIONS

IN SUPPLIES.

3. SOURCE OF SUPPLY - THAPA SAID THAT ALL PETROLEUM PRODUCTS PRESENTLY BEING IMPORTED ARE BASED ON SUPPLY OF 40,000 METRIC TONS OF PRODUCTS FROM SOVIET UNION. THESE PRODUCTS ARE SWAPPED WITH INDIAN OIL CORPORATION, WHICH PROVIDES NECESSARY PRODUCTS FOR NEPAL. WHILE NEPAL'S TOTAL ANNUAL REQUIREMENTS APPROXIMATE 100,000 METRIC TONS, NO ADDITIONAL CONTRACTS FOR BALANCE HAVE YET BEEN SIGNED. THAPA INDICATED THAT GON HOPED TO OBTAIN ADDITIONAL 60,000 METRIC TONS FROM IRAN. BASIS OF PRICE SET FOR IMPORTS FROM SOVIET UNION IS SET BY PRICE LISTED IN PLATTS OILGRAM ON DATE PRODUCTS LOADED FOR SHIPMENT. THAPA REITERATED THAT NEPAL HAD BEEN UNABLE TO OBTAIN ANY SPECIAL PRICE FROM SOVIET UNION AS COST WAS BASED ON INTERNATIONAL COMMERCIAL PRICE.

4. AGREEMENT WITH INDIA - THAPA SAID THAT SWAPPING AGREEMENT WITH INDIA AND NOT YET BEEN SIGNED. NEPAL THEREFORE PREFERRED TO CONTINUE IMPORTING PRODUCTS RATHER THAN CRUDE OIL FOR REFINING IN INDIA. PROBLEM WITH IMPORT OF CRUDE OIL WAS THAT INDIAN REFINERIES COULD USE ONLY SPECIFIC TYPES OF CRUDE, AND REQUIREMENTS HAD NEVER BEEN DISCUSSED IN DETAIL BETWEEN GON AND GOI. WHEN ASKED IF NEPAL COULD OBTAIN PETROLEUM PRODUCTS FROM INDIA AGAINST PAYMENT IN CONVERTIBLE CURRENCY, THAPA REPLIED THAT THIS WAS NOT GON'S WAY OF DOING BUSINESS WITH INDIA AND THEREFORE ISSUE HAD NEVER BEEN RAISED WITH GOI. THAPA MENTIONED THAT GON HAD ON ONE OCCASION PAID FOR CEMENT IMPORTED FROM INDIA IN CONVERTIBLE CURRENCY. OTHER CASES WHERE NEPAL HAD PAID INDIANS CONVERTIBLE CURRENCY HAD RESULTED FROM INTERNATIONAL TENDERS FOR WHICH INDIANS HAD SUBMITTED LOWEST BIG. FOR PETROLEUM PRODUCTS, HOWEVER, GON FOR PRESENT AT LEAST, EVIDENTLY HAS NO INTENTION OF PAYING IN CONVERTIBLE CURRENCY FOR IMPORTS FROM INDIA.

5. POTENTIAL IMPORTS FROM IRAN - THAPA SAID THAT POSSIBILITY OF OBTAINING SUPPLIES FROM IRAN HAD BEEN DISCUSSED IN PRELIMINARY SENSE ONLY, WITH NO INDICATION OF POSSIBLE VOLUME OR PRICE. HE CONFIRMED, HOWEVER, THAT NEPAL HOPED THAT IT COULD OBTAIN THE BALANCE OF ITS ANNUAL REQUIREMENTS, UNCLASSIFIED

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60,000 METRIC TONS, FROM IRAN, BUT SAID THAT NO DEFINITIVE INFORMATION WOULD BE AVAILABLE UNTIL AFTER VISIT OF IRANIAN DELEGATION TO NEPAL TWO MONTHS FROM NOW.

6. STORAGE CAPACITY - SUPPLIES OF PETROL, KEROSENE AND DIESEL OIL IN NEPAL ARE ADEQUATE TO COVER NO MORE THAN TWO TO THREE WEEKS REQUIREMENTS. STORAGE FACILITIES ARE PRESENTLY BEING BUILT, WHICH UPON COMPLETION WITHIN ONE YEAR WILL

ENABLE NEPAL TO STORE FROM TWO TO THREE MONTHS REQUIREMENTS.
A STORAGE DEPOT FOR AVIATION FUEL HAS JUST BEEN COMPLETED
AT TRIBHUVAN AIRPORT, WITH A CAPACITY OF 600 KILOLITERS,
EQUIVALENT TO ABOUT SIX WEEKS SUPPLIES.

7. COST OF PETROLEUM SUPPLIES - THAPA RECONFIRMED PREVIOUS
GON ESTIMATES THAT ANNUAL COST OF PETROLEUM PRODUCT IMPORTS
NOW APPROXIMATES \$14 MILLION.
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